

Message Text

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PAGE 01 BOMBAY 00444 211336Z

46

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DEPT PASS COMMERCE FOR COHEN AND EXIMBANK

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TAGS: EAIR IN

SUBJ: AIR-INDIA AND INDIAN AIRLINES REEQUIPMENT

REF BOMBAY 0414

SUMMARY: AIR-INDIA MANAGING DIRECTOR UNNI INDICATES AIRLINE WILL EXPERIENCE \$15-\$20 MILLION LOSS YEAR-ENDING MARCH 31, 1975, PRIMARILY DUE 1974 EXTENDED PILOTS' STRIKE. HOWEVER, AIRLINE PROJECTS RETURN TO PROFITABILITY FOR FOLLOWING YEAR. UNNI INDICATED AIRLINE WILL ORDER TWO ADDITIONAL WIDEBODIED AIRCRAFT FOR ENTRY INTO SERVICE PRIOR MARCH 31, 1979 BUT WE BELIEVE REEQUIPMENT PACE WILL BE CONSIDERABLY FASTER. END SUMMARY.

1. RCAA AND DEPUTY PRINCIPAL OFFICER HAD WORKING LUNCH FEBRUARY 20 WITH AIR-INDIA MANAGING DIRECTOR K.K. UNNI AND KEY MEMBERS OF HIS STAFF INCLUDING K.G. APPUSAMY, DEPUTY MANAGING DIRECTOR; OM SAWHNY, DIRECTOR OF ENGINEERING; C.V.R. RAO,
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PAGE 02 BOMBAY 00444 211336Z

FINANCIAL CONTROLLER; AND CAPTAIN D. BOSE, OPERATIONS MANAGER.

FOLLOWING POINTS COVERED BY UNNI:

A) PRIMARILY DUE TO COSTLY FOUR-MONTH PILOT STRIKE LAST HALF OF 1974, AIRLINE WILL INCUR LOSS OF 15 TO 20 MILLION DOLLARS FOR FINANCIAL YEAR ENDING 31 MARCH 1975. FOR YEAR ENDING 31 MARCH 1974, AIR-INDIA ERNED AN OPERATING PROFIT OF \$5.7 MILLION AND BOTTOM-LINE NET SURPLUS AFTER INTEREST PAYMENTS OF \$38.5 THOUSAND. FORECAST FOR YEAR-ENDING MARCH 31, 1975 SHOWS RESUMED PROFIT-ABILITY.

B) AIRLINE'S FIFTH 747-237B WILL BE DELIVERED DECEMBER 1975 FOR DEPLOYMENT ON TWO ROUNDTrips WEEKLY BOMBAY-MADRAS-SINGAPORE-PERTH-SYDNEY AND ONE ROUNDTrip WEEKLY BOMBAY-EUROPE-LONDON. EXIMBANK FINANCING FIFTH 747-237B COMPLETED JANUARY 1975.

C) AIRLINE PLANS TO ACQUIRE TWO ADDITIONAL WIDEBODIED AIRCRAFT TO BE PLACED INTO SERVICE PRIOR TO MARCH 31, 1979. TYPE OF AIRCRAFT HAS NOT BEEN DECIDED UPON, BUT APPEARS TO BE BETWEEN 747SP'S, ADDITIONAL BOEING 747B-237B'S, OR, MORE LIKELY, WIDEBODIED TRIJETS IN CATEGORY OF L1011-250 TRISTAR OR DC-10-30/40. THESE AIRCRAFT WILL BE REQUIRED TO HANDLE TRAFFIC GROWTH AND TO REPLACE AIR-INDIA'S FOUR OBSOLESCEnt BOEING 707-437'S (ROLLS-ROYCE CONWAY POWERED) PRESENTLY INCURRING HIGH OPERATING COST, DUE EXCESSIVE FUEL CONSUMPTION.

2. UNNI ALSO INDICATED THAT, IN HIS FUNCTION AS MEMBER OF INDIAN AIRLINES BOARD OF DIRECTORS, HE WILL BE PROCEEDING NEW DELHI FOR NEXT AIRLINE BOARD MEETING SCHEDULED FOR FEBARY 24. HIS OWN PERSONAL VIEW IS THAT INDIAN AIRLINES APPEARS TO BE RUSHING UNDULY INTO A PREMATURE WIDEBODIED AIRCRAFT DECISION. HE ACKNOWLEDGES THAT INDIAN DOMESTIC CARRIER IS IN NEED OF ADDITIONAL CAPACITY BUT THAT PERHAPS AN ANSWER LAY IN MORE ADVANCED 737-200 TWINJETS RATHER THAN WIDEBODIED AIRCRAFT. RCAA AND DPOSTATED THAT THIS A DECISION INDIAN AIRLINES ALONE MUST MAKE; BUT, SHOULD A WIDEBODIED DECIDION BE FORTHCOMING, LOCKHEED L-1011-1 TRISTAR (OR MCCONELL DOUGLAS DC-10-10) MORE PERFORMANCE AND COST-EFFECTIVE THAN AIRBUS INDUSTRIE A-300B2 FOR FOLLOWING REASONS:

A) U.S. WIDEBODIED TRIJETS HAVE FIFTY MORE SEATS, UNDER SAME STANDARDS OF COMFORT, THAN A-300B, ACCOMPANIED BY LIMITED OFFICIAL USE

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PAGE 03 BOMBAY 00444 211336Z

5 PERCENT FASTER CRUISING SPEED, RESULTING IN SHARPLY ENHANCED PRODUCTIVITY (5 MILLION DOLLARS PER AIRCRAFT PER YEAR GREATER PASSENGER REVENUES) AND 10 PERCENT LOWER SEAT-MILE COSTS.

B) U.S. WIDEBODIED TRIJETS (L-1011-1 AND DC-10-10) HAVE CONSIDERABLY MORE RANGE VERSATILITY THAN A-300B2, IN MAGNITUDE OF 1,000 TO 1,200 MILES, PERMITTING MORE ADEQUATE COVERAGE ON FUTURE REGIONAL, OVERWATER ROUTES.

C) TOTAL L-1011 TRISTAR SALES PRESENTLY AT 157 FIRM AND DC-10 SALES AT 215 FIRM, AS COMPARED TO APPROXIMATELY 24 FOR A-300B, INDICATION OF WIDESPREAD ACCEPTANCE OF US WIDEBODIED TRIJETS BY WORLD AIR CARRIERS, AS COMPARED TO A-300B. NEIGHBORING AIRLINES SUCH AS GULF AIR AND SAUDIA HAVE ORDERED TRISTARS (8 AIRCRAFT WITH 2 MORE SHORTLY TO FOLLOW) FOR DEPLOYMENT ON ROUTES INTO AND OUT OF INDIA.

3. APPUSAMY AND UNNI THEN ASKED ABOUT BOEING 727-300B AND RCAA WENT INTO IN-DEPTH DESCRIPTION INVOLVING 220 INCH FUSELAGE EXTENSION (THIRTY-SIX TO FORTY MORE SEATS THAN 727-200), REFANNED JT8D 217 ENGINES, FAVORABLE IMPACT ON SEAT-MILE COSTS AND PRODUCTIVITY, AND CAPABILITY AIRCRAFT TO MEET FAR PART 36 AND ICAO ANNEX 16 NOISE STANDARDS. HOWEVER, RCAA POINTED OUT TO UNNI THAT THIS AIRCRAFT PROBABLY NOT AVAILABLE FOR DELIVERY UNTIL SPRING 1978 AND UNDERSTANDING INDIAN AIRLINES REQUIREMENT CALLS FOR THREE NEW AIRCRAFT FALL 1976.

4. RCAA AND DPO STRESSED TO UNNI AND STAFF HOPE THAT AIR-INDIA AND INDIAN AIRLINES WOULD CONTINUE TO ACQUIRE US AIRCRAFT AS NEEDED AND THAT UNNI AS INDIAN AIRLINES DIRECTOR SUPPORT ACQUISITION US AIRCRAFT AS AGAINST A-300B.

5. COMMENT: WE NOTE THAT APART FROM UNNI, APPUSAMY, RAO AND CAPTAIN MATHIN (DIRECTOR OF TECHNICAL PLANNING WHO WAS ABSENT FROM MEETING) IN SEPTEMBER ALL STRESSED TO RCAA THEIR STRONG SUPPORT FOR AIR-INDIA'S RAPID RETIREMENT OF ENTIRE NINE AIRCRAFT 707 FLEET (THREE 707-337B, TWO 707-337C, AND FOUR 707-437), AND REPLACEMENT BY US WIDEBODIED TRIJETS IN CATEGORY OF L1011-250 OR DC-10-30/40. WE BELIEVE THAT PRESSURES TO ACHIEVE GREATER FUEL EFFICIENCY IN AIR-INDIA FLEET AND NEED TO MEET INCREASING REGIONAL WIDEBODIED COMPETITION LIMITED OFFICIAL USE

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WILL TRIGGER AIR-INDIA DECISION PRIOR YEAR-END 1975 FOR TWO OR THREE NEW WIDEBODIED AIRCRAFT.
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